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## FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

### STATE REVOLVING FUND INTEREST RATE REDUCTION

**Background.** On November 13, 2020, the [Iowa Finance Authority \(IFA\)](#) and the [Iowa Department of Natural Resources \(DNR\)](#) announced that [25 municipalities](#) with current [State Revolving Fund \(SRF\)](#) loans for water quality projects will save more than \$12.0 million in interest over the remaining life of their loans as a result of the interest rate being reduced from 3.00% to 1.75%. Interest rate reductions are available from the SRF due to national economic conditions. In order to alleviate the economic recession that began with COVID-19, beginning in April 2020 the Effective Federal Funds Rate [approached](#) 0.00%, allowing low-cost borrowing to take place by governments, businesses, and families during the worst effects of the pandemic.

**Program.** The SRF is one of Iowa's primary sources for financing projects designed to improve Iowa's water quality. Two funds, one for [drinking water](#) and one for [wastewater and pollution control](#), have provided low-cost financing to water quality projects in nearly 700 Iowa communities in addition to farmers, watershed groups, and others. Funding for the two project programs was provided in [2018 Iowa Acts, Senate File 512](#) (Water Quality Act). The program is jointly administered by the IFA and the DNR. Besides offering communities low interest rates to finance water infrastructure projects, the SRF offers other benefits, such as lower upfront costs and no reserve requirement.

**More Information.** For more information on SRF loan programs and the application process, visit the SRF [website](#).

LSA Staff Contact: Eric Richardson (515.281.6767) [eric.richardson@legis.iowa.gov](mailto:eric.richardson@legis.iowa.gov)

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